MEPP

management employees pension plan

ANNUAL REPORT

04

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MEPP Profile

The Management Employees Pension Plan (MEPP) was originally established in 1972 as the Public Service Management Pension Plan for management employees of the Government of Alberta and approved agencies, boards and commissions.

In 1993, new legislation was passed that divided the plan into two separate plans: the Public Service Management (Closed Membership) Pension Plan (Closed Plan) and the MEPP (Plan).

Members who left the plan or retired before August 1, 1992 and those who had 35 years of pensionable service by August 1, 1992, became members of the Closed Plan. Funding for the Closed Plan is the responsibility of the Government of Alberta. Active members as of August 1, 1992 became members of MEPP.

MEPP is a contributory defined benefit plan, which means members contribute to the Plan and will receive a formula-based pension determined by their average pensionable salary and years of pensionable service. As of December 31, 2004 the Plan served 21 employers, 4,206 active members, 731 inactive members and 2,016 pensioners. A summary description of Plan provisions is in Note 1 of the financial statements. An overview of the choices and benefits under the Plan is provided in the *MEPP Members' Handbook* (see MEPP Web site at www.mepp.ca).

The Board

Mandate

The Minister of Finance is the statutory administrator of the MEPP and holds all assets of the Plan in trust to provide benefits pursuant to the Plan and to meet Plan costs.

The *Public Sector Pension Plans Act* sets out the main objectives of the Management Employees Pension Board with respect to funding, administration, investments and amending the Plan.

The Board monitors the management of the Plan and acts in an advisory capacity to the Minister of Finance.

The Board:

- May advise the Minister on any pension matter that is of interest to persons receiving or entitled in the future to receive benefits under the Plan;
- Must be consulted before Plan rule changes can be put in place;
- Arranges valuations;
- Recommends general policy guidelines for the investment and management of the Plan's assets;
- Reviews investment performance;
- Recommends general policy guidelines on the administration of the Plan;
- Reviews administrative decisions pursuant to a delegation from the Minister; and
- May advise the Minister on the Closed Plan.

Board Members

- The Board has seven members, comprised of three employee nominees, three persons nominated by Government and one non-voting member nominated by the Public Service Commissioner's Office.
- The offices of Board Chair and Vice Chair rotate every two years between Government and employee nominees.

MEP Board Members

From left:
Rod McDermand
Lorne Saul-Demers
Fred Barth
Theresa Ostrum

Seated:
Nancy Bochard, Chair
Bill Lenius, Vice Chair

Missing:
Gail Armitage

Board Vision

Promised benefits will be paid.

Board Mission

To provide prudent governance of the Management Employees Pension Plan and the Public Service Management (Closed Membership) Pension Plan and funds, and ensure the provision of cost-effective, timely services to members and retirees.

Board Values and Principles

- Plan assets will be managed effectively and efficiently in compliance with legislation and regulations;
- All decisions made by the Board will be financially prudent, ensuring the overall financial health of the Plan is maintained and costs charged to the Plan are reasonable and equitable;
- MEPP will be managed in an effective and efficient manner to the benefit of the members; and
- The Board members embrace the prudent person concept in exercising good judgment on behalf of beneficiaries.

Investment Committee

The Board established the Investment Commitee in 2000. The Investment Committee's role is to:

- Address investment objectives of the Plan;
- Identify and assess risk tolerance;
- Develop constraints and guidelines on investment, asset ranges, suitable classes of investments and voting proxies;
- Select benchmarks to assist in analyzing investment performance of the Plan fund; and
- Review the performance of Alberta Investment Management (AIM).

The Investment Committee reports and makes recommendations to the Board.

MESSAGE FROM THE BOARD

The Management Employees Pension Board is committed to being an active steward of your pension plan. Our primary focus is on overseeing the management of the Plan fund to help ensure there are sufficient assets to meet the pension benefits promised.

Plan Funding

During 2004, the MEPP fund earned 10.2% net of investment expenses. This compares with the Plan's target of 6.75% for investment earnings.

The latest actuarial valuation of the MEPP (as at December 31, 2003) has indicated that an increase in annual funding is required. This is due, in large part, to weak investment performance from 2000 through 2002. Although the Plan's investment performance improved in 2003 and 2004, these returns were not enough to offset the losses in the previous years.

The Board provided the results of this valuation to the Minister of Finance. Based on the advice of the actuary, the Board recommended that Plan funding be increased to approximately 28.5% of pensionable salary. In April 2005, the Government of Alberta responded by increasing contribution rates to 10.5% of pensionable salary for members and 18.0% of pensionable salary for participating employers, effective July 1, 2005.

Plan Investments

With the assistance of its Investment Committee, the Board monitors the Plan's investment returns on a quarterly basis and reviews the asset mix annually.

In 2004, the Board commissioned both an Asset-Liability Modeling Study and a Value-at-Risk Assessment of the MEPP fund. Both of these initiatives assisted the Board in assessing whether the Plan's assets, together with future contributions, will be sufficient to meet the liabilities of the Plan. As a result of these two reports, the Board made revisions to its asset mix in late 2004 and will be updating the *MEPP Statement of Investment Policies and Goals* (SIP&G) in 2005.

The new asset mix, which provides a broader range of target policy weightings, will allow Alberta Investment Management (AIM) to have more flexibility in their day-to-day investment management of the MEPP fund. The changes in the asset mix, including a strategic increase in the allocation to alternative investments, will be phased-in over a period of 12 to 18 months, with the goal of providing stronger returns for the Plan fund over the coming years.

Governance

Throughout 2004, the Board communicated regularly with representatives from Alberta Finance on the issues of funding and governance. We will continue to work in partnership with representatives of Alberta Finance and the Personnel Administration Office in 2005 to address the Board's recommended changes and establish a stronger and clearer direction for all parties involved in the management and administration of the Plan.

In 2005, Board members will also continue to focus on increasing their knowledge of pension, investment and trustee related matters in order to serve the MEPP and its members to the best of their abilities. For further information on the Board's initiatives, please see the Board's *2005 – 2007 Business Plan* on the MEPP Web site at www.mepp.ca.

2005 Board

On behalf of the Board, I would like to acknowledge and thank Theresa Ostrum, who ended her term on the Board at the end of 2004 after over six years of dedicated and exemplary service as an employee nominee. I am pleased to welcome Randy Garvey as a new employee nominee commencing in 2005. Randy is the Vice President and Chief Financial Officer of the Workers' Compensation Board and recently completed several years of service as a Board member with the Special Forces Pension Board. I would also like to congratulate Fred Barth on his reappointment as a government nominee for another three years.

The success of the Board depends on the assistance of many people. At this time, the Board would like to acknowledge and extend thanks to the two external members on our Investment Committee – Tania Willumsen and Ladis Vegh. On behalf of the Board, I would like to congratulate Ladis on his retirement and thank him for his guidance and many contributions to the Investment Committee over the past four years. I would also like to welcome Jim Hinks, Director of Pension Assets with TransCanada PipeLines, who replaces Ladis beginning in 2005.

The Board would like to thank Jim Millard, former Acting Board Secretary, and Liz Doughty, former Recording Secretary, for their excellent support over the years. I would also like to welcome Christa Taylor to her new position as Board Secretary for the Management Employees Pension Board.

Nancy J Bochard

Nancy Bochard
Chair, Management Employees Pension Board

HIGHLIGHTS

- For 2004, the Plan experienced a one-year investment gain of 10.2%. In 2003, investments experienced a gain of 13.7%.
- Net assets available for benefits at the end of 2004 were $1.73 billion, up from $1.57 billion at the end of 2003.
- Contributions made to MEPP in 2004 totaled $66.7 million, up from $56.3 million in 2003. This included $28.7 million from active members and $38.0 million from employers.
- Payments from MEPP totaled $71.9 million, up from $64 million in 2003. Payments included $68.2 million in pension benefits, $2.1 million in refunds to members, $0.2 million transferred to other plans and $1.4 million in Plan expenses.
- The cost-of-living adjustment (COLA) granted to pensioners who retired prior to January 1, 2004 is 0.78%, effective January 1, 2005. This is 60% of the 1.3% increase in the Alberta Consumer Price Index over the 12-month period ending October 31, 2004, in comparison with the 12-month period ending October 31, 2003.

Monthly Payment Distribution - 2004

Dollar Value per Month	Pensions Paid
1 to 999	210
1,000 to 1,999	352
2,000 to 2,999	494
3,000 to 3,999	556
4,000 and over	404
TOTAL	2,016

DISCUSSION AND ANALYSIS

This Discussion and Analysis (D&A), together with MEPP financial statements, provide an overview of initiatives and achievements during the past year, as well as the outlook for developments in 2005. This D&A does not refer to the Closed Plan, as the funding for that plan is the responsibility of the Government of Alberta.

Review of 2004

Plan Funding

As at December 31, 2004, the Plan's net assets available for benefits were $1.73 billion and liabilities were approximately $2.0 billion, resulting in a shortfall of approximately $268 million. Although this has improved slightly from the approximate $290 million shortfall as at December 31, 2003, the Plan continues to require additional funding. In response, the Government of Alberta has decided to increase contribution rates effective July 1, 2005.

Contribution Rates

In 2004, contribution rates remained unchanged from December 31, 2003. The new contribution rates, effective July 1, 2005, are as follows:

	As at December 31, 2004	Effective July 1, 2005
Members	9.5%	10.5%
Employers	13.1%	18.0%
Total	22.6%	28.5%

Regulation Changes

In 2004, the Lieutenant Governor in Council approved changes in the optional pension forms under the *Management Employees Pension Plan Regulation* (A.R. 367/93), with the changes to take effect January 1, 2005. These changes were made at no additional cost to the Plan. For members commencing a pension on or after that date, the options available to them changed as follows:

- For members choosing the joint life not reduced option, the guaranteed term increased from five years to 10 years.
- A new joint life pension option was introduced: the normal pension, guaranteed 10-year term option, with a 1/4 reduction for pre-1992 service and a 1/3 reduction for post-1991 service occurring on the member's death. If the death occurs before the end of the guaranteed term the pension will not be reduced until the 10 years are complete.
- For members who wish to designate a nominee, the reduction on the joint life reduced by 1/3 option occurs at the first death of the member or the nominee. However, if the death occurs before the end of the guaranteed term, the pension will not be reduced until the term is complete. The guaranteed term also increased from five years to 10 years.
- For single members who do not wish to designate a nominee, or for members with a pension partner and the pension partner has signed a waiver, the single life option with no guarantee is no longer offered.

To obtain more information about these changes or any upcoming changes in 2005, please go to the MEPP Web site at www.mepp.ca.

Outlook for 2005

For information purposes, the Board will conduct an actuarial valuation as at December 31, 2004. An actuarial valuation determines whether the Plan's present assets, along with contributions expected in the future, will meet the Plan's present and future obligations. Note: The MEPP financial statements were prepared prior to the Government of Alberta's April 2005 announcement of a contribution rate increase. As a result of this increase to the contribution rates, the Board will no longer be required to prepare an actuarial funding valuation at December 31, 2004, as is referenced in Note 9 to the financial statements.

An Asset-Liability Modeling Study was conducted in 2004 to provide the Board with an enhanced understanding of the expected future cash flows and liabilities of MEPP. As a result, the Board made revisions to its asset mix in late 2004 and will update the SIP&G in 2005.

INVESTMENTS

Investment Overview

The Canadian economy continued to expand this year. Higher personal consumption, low interest rates, surging employment, strong exports, and rising disposable income contributed to the buoyant economy. The housing market in particular continued to be robust.

Oil prices increased to record levels during the year before settling down by year-end. At the beginning of the year, West Texas Intermediate (WTI) opened at $32.52 US per barrel (bbl), rising to a record $55.17 US/bbl by late October before closing at $43.45 US/bbl at December 31, 2004. As a result, the energy sector led all other sectors in the S&P/TSX Index.

In 2004, the U.S. dollar continued its decline against the Canadian dollar. By December 31, 2004, $1.00 US purchased $1.20 Cdn compared to $1.29 Cdn at the beginning of the year. As a result, the value of the Plan's U.S. equity investments declined when translated into Canadian dollars, resulting in lower investment returns.

Overall, the Plan earned a return of 10.2% in 2004 compared to 13.7% in 2003. The fair value of the Plan's investments increased to $1.72 billion, up from $1.57 billion the previous year.

Alberta Investment Management (AIM), the investment operation of Alberta Finance, aids the Alberta Minister of Finance in the investment management of the Plan. AIM invests MEPP's assets for the benefit of its members, subject to legislation and the SIP&G established by the Board.

The Board monitors the services provided to the Plan by AIM. Services provided and charges for those services, including performance standards, are set out in the Memorandum of Understanding between AIM and the Board.

An independent investment consultant, API Asset Performance Inc., assists the Board in its oversight of the investment performance of the Plan.

MEPP's asset allocation policy is structured to capture the historically higher rates of return from equities. At December 31, 2004, the target asset mix is weighted more towards equities at 52.5%; fixed income securities at 40.0%; real estate at 5.0%; private equities at 1.5%; and 1.0% to private income investments. The Board has reviewed the Plan's investment policies with a focus on maximizing long-term return while assessing the risk tolerance of the Plan and ways to manage the inherent volatility of the long-term asset mix. This review resulted in the Board revising its target asset mix to equities at 54.0%; fixed income securities at 34.0%; real estate at 7.0%; private equities at 2.0%; private income at 2.0%; and 1.0% to hedge fund investments.

AIM manages most of MEPP's investments internally. However, in order to achieve greater diversification, a majority of equity investments are managed by third party investment managers selected and monitored by AIM.

In 2004, the federal *Income Tax Act* restricted the direct ownership of foreign investments to 30% of pension plan assets. In order to optimize the Plan's asset mix and remain in compliance with the tax act, additional exposure to foreign assets is gained through forwards, futures, and swap contracts. These derivative products are used to manage MEPP's foreign equity content against the restrictions of the federal *Income Tax Act*.

Statement of investment Policies and Goals

The SIP&G is reviewed and updated annually by the Board. This document sets out the governing investment principles and guidelines, while taking into consideration the Plan's provisions, its characteristics, and financial obligations. It also defines the management structure and monitoring procedures.

The Plan's long-term investment expectation, as specified in the SIP&G, is 6.75%, which includes a real rate of return of 4.0% and inflation of 2.75%. The SIP&G can be viewed on the MEPP Web site at www.mepp.ca.

Asset Mix

In order to address the Plan's asset mix and the inherent risks in the portfolio, the Board commissioned a Value-at-Risk Assessment of the Plan. This assessment identified the Plan's exposure to downside risk while taking into account the actual security holdings of the MEPP portfolio and the correlation in movement between these securities. The assessment also included an analysis of what affects the Value-at-Risk, and allowed the Board to determine how to alter the risk while taking into account the specific provisions of the MEPP. The results of this assessment, in part, aided the Board in revising the target asset mix policy in late 2004. The changes in the asset mix, including a strategic increase in the allocation to alternative investments, will be phased-in over a period of approximately 12 to 18 months.

The table below shows MEPP's 2004 and 2005 target asset mix policies in comparison to the Plan's actual asset mix at December 31, 2004 and the previous year.

Asset Mix				
	Target Policy 2005 (%)	Target Policy 2004 (%)	Actual 2004 (%)	Actual 2003 (%)
Fixed Income				
Cash & Short-term	0.5	2.0	1.7	1.1
Long-term	30.0	33.0	32.4	31.3
Real Return Bonds	3.5	5.0	4.8	4.9
	34.0	40.0	38.9	37.3
Equities				
Canadian	24.0	22.5	25.4	26.8
United States	14.0	15.0	14.5	14.7
Non-North American	16.0	15.0	15.7	16.3
	54.0	52.5	55.6	57.8
Real Estate	7.0	5.0	4.8	4.7
Alternative Investments				
Private Equities	2.0	1.5	0.4	0.1
Private Income	2.0	1.0	0.3	0.1
Hedge Funds	1.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Investment Results in Relation to Benchmarks

The investment return for each asset class and the overall performance of the Plan's assets are measured against clearly defined benchmarks which have been established in the SIP&G. MEPP's investment policy benchmark (referred to as the policy benchmark) is based on the long-term asset mix weightings of the portfolio invested in the following capital market indices:

	Annual Returns ($ Canadian)*				Annualized Returns**	
	2004 %	2003 %	2002 %	2001 %	4yr %	8yr %
Overall Actual Returns	**10.2**	**13.7**	**-5.3**	**-4.4**	**3.2**	**7.2**
Policy Return	10.0	12.8	-5.6	-4.2	2.9	7.0
Consumer Price Index	2.1	2.0	3.9	0.7	2.2	2.0
Short-term Fixed Income	**2.8**	**3.1**	**2.9**	**4.6**	**3.4**	**4.1**
SC 91-Day T-Bill Index	2.3	2.9	2.5	4.7	3.1	3.8
Bonds and Mortgages	**7.9**	**7.5**	**9.5**	**8.6**	**8.4**	**7.7**
SC Universe Bond Index	7.1	6.7	8.7	8.1	7.7	7.3
Real Rate of Return Bonds	**17.6**	**13.5**	**15.2**	**-0.4**	**11.3**	**10.0**
SC Real Return Bond Index	17.5	13.3	15.3	0.5	11.4	10.1
Total Fixed Income	**9.2**	**8.4**	**10.2**	**7.4**	**8.8**	**8.0**
Fixed Income Index	8.5	7.6	9.6	7.1	8.2	7.7
Canadian Equities	**15.3**	**26.3**	**-12.9**	**-10.8**	**3.1**	**8.4**
Canadian Equity Index	14.1	26.7	-12.4	-11.7	2.8	8.6
United States Equities	**3.1**	**7.3**	**-22.3**	**-6.4**	**-5.3**	**4.9**
U.S. Index	3.9	5.3	-22.9	-6.4	-5.7	6.3
Non-North American Equities	**12.3**	**14.1**	**-15.7**	**-16.3**	**-2.5**	**5.6**
MSCI EAFE Index	12.0	13.4	-16.8	-16.5	-3.1	3.2
Foreign Equities	**7.8**	**10.9**	**-18.9**	**-11.5**	**-3.8**	**5.0**
Foreign Equity Index	7.9	9.3	-19.8	-11.5	-4.3	4.6
Real Estate	**10.6**	**10.0**	**n/a**	**n/a**	**n/a**	**n/a**
Real Estate Index	13.8	8.2	n/a	n/a	n/a	n/a
Alternative Investments	**-2.5**	**0.7**	**n/a**	**n/a**	**n/a**	**n/a**
Alternative Investments Index	n/a	n/a	n/a	n/a	n/a	n/a

Certain comparative figures have been restated to reflect finalized results.

* Annual returns are the returns for one calendar year (12 months).

** Annualized returns convert multi-period returns (such as four years) into a compound annual return for ease of comparison between the time periods.

AIM's performance is compared against the policy benchmark to measure the effectiveness of its decisions. Performance is reviewed quarterly, with the emphasis on four-year returns.

In 2004, the Plan recorded an overall return of 10.2% from its investments, 20 basis points better than its policy benchmark return of 10.0%. Over four years, the Plan's investments returned 3.2%, 30 basis points better than the benchmark return of 2.9%. On an eight-year basis, the Plan returned 7.2%, exceeding the policy benchmark return of 7.0% by 20 basis points.

The table to the right shows the value added by AIM in comparison to the various components of the policy benchmark.

Value Added / Lost by Manager in Comparison to Benchmarks		
	One Year (%)	Four Years (%)
Short-term Fixed Income	0.5	0.3
Bonds and Mortgages	0.8	0.7
Real Rate of Return Bonds	0.1	-0.1
Canadian Equity	1.2	0.3
U.S. Equity	-0.8	0.4
Non-North American Equity	0.3	0.6
Real Estate	-3.2	n/a
Alternative Investments	n/a	n/a
Total Value Added	**0.2**	**0.3**

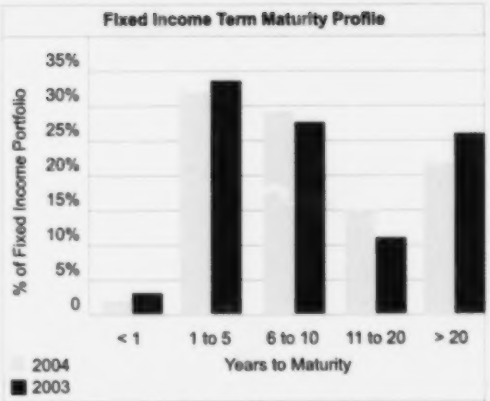
Fixed Income Investments

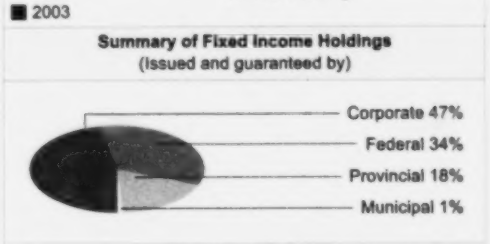
During the year, the U.S. Federal Reserve increased interest rates five times starting from 1.0% at the beginning of the year and increasing to 2.25% by the end of 2004. In Canada, the Overnight Rate started the year at 2.75%, decreasing to 2.25% by mid-year before increasing again to 2.75% by year's end.

Overall, the Canadian bond market performed well this year. Over the past year, the Scotia Capital (SC) Universe Bond Index increased by 7.1%, while the short-term SC 91-Day T-Bill Index increased by 2.3%.

The Plan's actual rate of return over one year from long-term Canadian fixed income securities was 9.2%, 70 basis points better than the benchmark of 8.5%. Over four years, the return from long-term securities was 8.8%, or 60 basis points better than the benchmark of 8.2%.

At December 31, 2004, investments in bonds, mortgages, and real rate of return bonds increased to 38.9% of total investments from 37.3% at the end of the previous year. Fixed income investments now total $670 million, up from $585 million the previous year.





Equity Investments

The Canadian equity market had strong growth this year. The S&P/TSX Composite Index, which measures the performance of Canada's largest companies, reported an increase of 14.5% compared to an increase of 26.7% the previous year. Higher personal consumption, low interest rates, surging employment, strong exports, and rising disposable income contributed to the buoyant economy. The housing market in particular continued to be robust.

Equity markets in the U.S. grew at a more modest pace. While capital investment was strong, other indicators such as employment and consumer spending numbers were weaker than expected resulting in modest growth. In addition, record oil prices during the mid part of the year inhibited growth in the U.S. economy. The S&P 500 Index, which tracks the performance of the top 500 American companies, increased by 10.9% over the year in U.S. dollars and 3.3% in Canadian dollars. Currency movements had a negative impact, pulling the U.S. returns down when translated into Canadian dollars.

Non-North American markets performed well. The Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE Index), which measures the performance of approximately 1,000 companies on 21 stock exchanges around the world, increased by 12.7% during the year in local currency and 12.0% in Canadian dollars. Growth in demand from China continued to be strong during 2004, keeping commodity prices firm. The Japanese economy showed growth due in part from exports to China. Activity in Europe has improved somewhat, while growth in the Euro-Zone remained modest in 2004. France and Germany posted weak numbers in employment and for domestic and foreign demand.

Canadian Equities

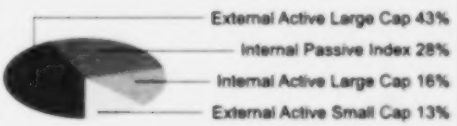
At December 31, 2004, Canadian equities represent 25.4% of MEPP's total investments or $436 million compared to 26.8% at the end of the previous year. Canadian equities are managed through several strategies including both passive index and active mandates. AIM manages the passive index and some of the active large cap strategies internally, while external investment advisors actively manage the balance of the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap active strategy.

The actual return from Canadian equity investments over the year was 15.3%, 120 basis points better than the benchmark Canadian equity index of 14.1%.

Top 10 Canadian Equity Holdings - December 31, 2004

Company	%
Manulife Financial Corporation	4.6
Bank of Nova Scotia, The	4.0
The Toronto-Dominion Bank	3.7
Encana Corporation	3.4
Royal Bank of Canada	3.1
Alcan Inc.	3.0
Petro-Canada	2.5
Canadian National Railway Company	2.4
Bank of Montreal	2.2
Sun Life Financial Inc.	2.2

Summary of Canadian Equity Holdings



Foreign Equities

The foreign equity allocation is divided into U.S. and non-North American equity markets. The non-North American segment includes investments in Europe, Australasia and the Far East (EAFE) and emerging markets.

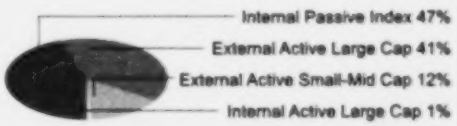
U.S. Equities

At December 31, 2004, U.S. equities comprised 14.5% of the Plan's total investments or $249 million compared to 14.7% the previous year. The U.S. portfolio is comprised of internally managed passive index and large cap strategies and externally managed active large cap and small-mid cap strategies. The actual return from U.S. equities over the year was 3.1%, 80 basis points less than the benchmark of 3.9% measured in Canadian dollars.

Top 10 U.S. Equity Holdings - December 31, 2004

Company	%
General Electric Co.	2.2
Citigroup Inc.	2.0
Microsoft Corp.	1.9
Pfizer Inc.	1.4
Exxon Mobil Corp.	1.4
Johnson & Johnson	1.3
Wal-Mart Stores Inc.	1.3
ConocoPhillips Co.	1.3
Proctor & Gamble Co.	1.2
Qualcomm Inc.	1.2

Summary of United States Equity Holdings



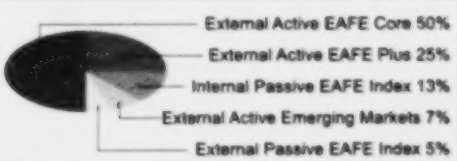
Non-North American Equities

Non-North American equities comprised 15.7% or $269 million of total Plan investments at December 31, 2004 compared to 16.3% the previous year. The actual return from non-North American equity markets over the year totaled 12.3%, 30 basis points better than the benchmark of 12.0% in Canadian dollars.

Top 10 Non-North American Holdings - December 31, 2004

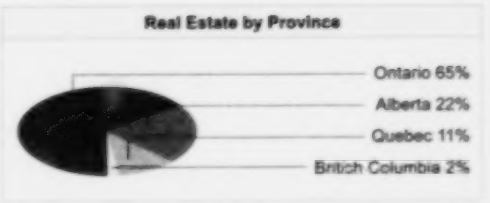
Company	%
Total SA	2.1
Vodafone Group PLC	1.2
Royal Dutch Petroleum Co.	1.1
BP PLC	1.1
Shell Transport & Trading Co. PLC	1.1
GlaxoSmithKline PLC	1.1
Novartis AG	1.0
ENI SpA	1.0
Credit Suisse Group	1.0
Toyota Motor Corp.	0.9

Summary of Non-North American Equity Holdings


External Active EAFE Core 50%
External Active EAFE Plus 25%
Internal Passive EAFE Index 13%
External Active Emerging Markets 7%
External Passive EAFE Index 5%

Real Estate

At December 31, 2004, the Plan's real estate portfolio comprised 4.8% or $83 million of total investments compared to 4.7% or $73 million the previous year. Investments are primarily in a mix of retail, office, residential and industrial properties in major Canadian urban areas including Toronto, Ottawa, Montreal, Calgary, Edmonton, and Vancouver. The focus is on quality, featuring strong locations and tenants.



The actual real estate return in 2004 was 10.6%, 320 basis points lower than the benchmark return of 13.8%. The real estate return for the Private Real Estate Pool (PREP) is substantially lower than that of the real estate index due to timing differences in valuations between PREP and its benchmark. In particular, all PREP retail real estate assets were valued in the first quarter of 2004, while most of the benchmark retail assets were valued at the end of 2004. As a result, PREP's reported performance does not capture the retail assets' capital gains during the last nine months of 2004. AIM anticipates that PREP's performance will make up this timing shortfall once the next valuation is completed in the first quarter of 2005.

Alternative Investments

At December 31, 2004, the Plan's alternative investment portfolio comprised 0.7% or $13 million of total investments compared to 0.2% the previous year. The alternative investment portfolio consists of private equities and private income investments that are both illiquid asset classes requiring time to build and exit investments. Private equity investments include primarily venture capital and merchant banking investments. Venture capital investments include early stage financings and in some cases financing start-up companies. Merchant banking transactions include expansion capital, acquisition financing, management buyouts, family succession, turnaround financings, project financings and leverage reductions. Private income investments include infrastructure-related projects that are structured to yield high current income.

The actual return from alternative investments during the year was a loss of 2.5%.

Looking Forward

Investment returns over the next year are likely to be modest. Given inflation expectations, fixed income market valuations appear to provide little potential for significant capital appreciation: government bond yields are unlikely to decrease materially and credit spreads, currently at historically narrow levels, have little room for further narrowing. Corporations, which have experienced strong growth in profits, may see growth moderate in the coming year due to, amongst other things, an increased likelihood of lower economic growth, a moderation in productivity growth, and higher interest rates. These factors may also decrease the potential for capital appreciation in equity markets. No asset class presently stands out as being inexpensively valued, implying that capital market returns will likely be, at best, modest over the next six to twelve months.

The year 2005 begins with the U.S. economy poised to grow at approximately 3.5%, which is lower than in 2004, but relatively high compared with Canada, developed Europe, and Japan. This growth, combined with measures of inflation that have been creeping higher, will likely lead the Federal Reserve Board to further increase the Federal Funds rate in 2005. Federal Funds rate increases, coupled with slightly higher inflation, will likely cause longer term interest rates to increase, although such increases will likely be modest. Credit spreads are also somewhat vulnerable as corporations, whose balance sheets are presently very strong, are likely to decline in quality, leading investors to demand a higher risk premium.

Canadian fixed income markets face similar pressures to those of the U.S.; however, the outlook for Canadian bonds is more neutral. The Canadian dollar's strong rally has adversely affected Canadian economic growth (expected to be around 2.5 to 3.0%). Canadian inflation has been benign and is forecasted to be well within the Bank of Canada's target zone for 2005 (1.0 to 3.0%). These factors argue for the Bank of Canada to be less aggressive than the Federal Reserve Board in increasing interest rates. Furthermore, Canadian fixed income market valuations appear to be more consistent with underlying growth and inflation than the U.S. Consequently, any bond yield increases in Canada will likely be more modest than those experienced in the U.S.

In recent years, productivity gains, strong sales, and low interest rates have helped U.S. corporations achieve spectacular profit growth off of the market trough of 2002. Canadian corporations have benefited from tremendous growth in commodity prices. Profit growth will likely moderate on both sides of the border in 2005 from high levels in 2004. In the U.S., slowing worldwide growth, a constrained consumer, and higher interest rates should act to reduce corporate earnings growth rates. The high level of the Canadian dollar and moderating commodity prices will likely have an adverse effect on profit growth rates for Canadian companies. These diminished earnings' growth rates, coupled with modestly high equity valuations, will likely lead to single-digit equity market returns in both Canada and the United States.

For real estate, Canada's retail and industrial real estate sectors are "firing on all cylinders," according to Colliers International, who forecast a stronger real estate market in 2005. Across the country, retail markets continue to thrive, with low, single digit vacancy rates as a result of a mix of domestic retail tenant expansion and the entry of international retailers into the Canadian marketplace. The apartment vacancy rise should subside in 2005 and 2006 as an expected increase in mortgage interest rates makes home ownership less affordable. This should give price support to residential rental assets in 2005 and beyond. Further, gradually improving office demand should bring about a slow and steady turnaround for Canada's office leasing market over the next year. The national office vacancy rate may decline by a full percentage point as a result of improving conditions in most cities. Positive local economic characteristics across the country should continue to buoy real estate performance; however, any rental rate increase could be delayed because there are still buildings with significant vacancy. Even with a gradual rise in interest rates, the strong appetite of investors to own Canadian investment real estate should continue in 2005.

Risk Management System

AIM is in the process of implementing a market risk management system to model and measure the risks associated with investments in the Plan. The system will provide a comprehensive framework for measuring, monitoring, and managing risk to assist in the management of Plan assets. The intent of the risk system is to support the Plan in future decisions regarding investment and risk policies.

PLAN ADMINISTRATION

Alberta Pensions Administration (APA) Corporation provides administrative services to MEPP under a contract with the administrator of the Plan, the Minister of Finance. The Corporation's core business is to provide benefit administration for pension plan members, pensioners and employers by paying pension benefits, collecting pension plan contributions, maintaining membership records and providing information to members, pensioners and employers. The Corporation also provides support services to the MEP Board.

Initiatives

APA Corporation pursued several initiatives in 2004 that directly impact MEPP stakeholders, including:

mypensionplan – the pilot project for mypensionplan, the online service which allows members to view their personal pension information and calculate pensions, was implemented from July 1 to November 30, 2004. Overall satisfaction with mypensionplan was high and 51 MEPP members participated. The service is scheduled to be available to all members beginning in March 2005.
Matrimonial Property Orders (MPO's) – in accordance with legislation that was changed in late 2003, the pension administration system required technical upgrades to ensure that MEPP members' MPO's would be more easily processed. This technical upgrade will continue into 2005.
Pension Coordination – in preparation for new guidelines effective January 1, 2005, the Corporation updated all materials for member options and estimate packages, developed a Web site calculator, completed technical enhancements to the pension administration system and conducted staff training.

Member Service Costs

APA Corporation's costs are distributed amongst the public sector pension plans it serves. MEPP per member costs are based on a cost share formula, which allocates APA Corporation operating costs according to pension plan membership (active and inactive members and pensioners).

The cost per member for administrative services decreased by 2% to $210 per member in 2004 (2003 $214). This decrease is primarily due to the following:

- The completion of the APEX project (the new pension administration system), resulting in a reduction of $32 per member;
- Increased APA Corporation operating costs, resulting in an increase of $19 per member; and
- Increased Board and Plan-specific costs, resulting in an increase of $9 per member.

Cost/Member	2004 Actual	2003 Actual
APA Operating Costs*	$161	$142
Board and Plan-specific Costs	49	40
APEX Project Costs	0	32
Total Plan Operating Costs	**$210**	**$214**

* Ongoing maintenance projects and APEX amortization are included in APA Corporation operating costs.

Communication and Education Services

In 2004, the Corporation provided the following services for MEPP members:

#	
437	Member Welcome Packages were sent to new members
24	Member Seminars were held
233	Members participated in Group Member Seminars
47	Members participated in onsite One-on-One Information Sessions
4,500	Copies of the MEPP Annual Report were distributed

The Corporation also provided each employer with both a Spring 2004 and a Winter 2004 edition of the employer newsletter, *Pension News*, and 19 separate editions of the electronic employer newsletter, *Pension e-news*.

For further information on APA Corporation's activities in 2004, please go to APA Corporation's Web site at www.apaco.ab.ca

2004 FINANCIAL STATEMENTS

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ACTUARY'S OPINION

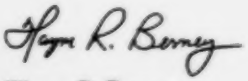
Aon Consulting Inc. was retained by the Management Employees Pension Board (MEP Board) to perform actuarial valuations of the assets and liabilities of the Management Employees Pension Plan as at December 31, 2003. Aon Consulting Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2004 for inclusion in the Annual Report with respect to the Management Employees Pension Plan for the Year Ended December 31, 2004.

The valuation and extrapolation of the Plan's actuarial assets and liabilities were based on:

- Membership data provided by the Alberta Pensions Administration (APA) Corporation as at December 31, 2003, and asset data provided by APA Corporation as at December 31, 2003, and December 31, 2004.
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

I have tested the data for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. I also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and my valuation and extrapolation have been performed in accordance with accepted actuarial practice.



Wayne R. Berney
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management Employees Pension Plan (Plan) financial statements and financial information in the 2004 Annual Report are the responsibility of the Minister of Finance. These responsibilities are undertaken on behalf of the Minister of Finance by:

- Alberta Investment Management, the investment operation of Alberta Finance, which is responsible only for the management of assets, subject to legislation and to the investment policies and goals approved by the Plan Board, and
- Alberta Pensions Administration (APA) Corporation, which is responsible for administration of the Plan under an Administrative Services Agreement with the Minister of Finance.

The financial statements and information in the annual report have been approved by the Plan Board.

The financial statements have been prepared by Alberta Finance in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2004 Annual Report that relates to the operations and financial position of the Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance, APA Corporation and Alberta Investment Management each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements.

Brian Manning
Deputy Minister of Finance

Robert Bhatia
Deputy Minister - Revenue, Alberta Finance

David Smith, CA
Chief Executive Officer
Alberta Pensions Administration Corporation

March 4, 2005

AUDITOR'S REPORT

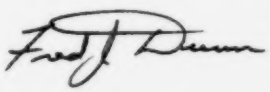
AUDITOR GENERAL
Alberta

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Management Employees Pension Plan (the Plan) as at December 31, 2004 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2004 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Dunn, FCA
Auditor General

Edmonton, Alberta
March 4, 2005

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2004

	2004	2003
	($ thousands)	
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$ 1,721,340	$ 1,566,939
Accrued investment income and accounts receivable	414	451
Contributions receivable		
Employees	2,272	2,003
Employers	3,093	2,761
	1,727,119	1,572,154
Liabilities		
Accounts payable	141	240
Net assets available for benefits	1,726,978	1,571,914
Accrued Benefits		
Actuarial value of accrued benefits	1,995,079	1,861,928
Deficiency	$ (268,101)	$(290,014)

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2004

	2004	2003
	($ thousands)	
Net investment income (Note 6)		
Investment income	$163,041	$ 190,938
Investment expenses	(2,765)	(1,930)
	160,276	189,008
Member service operations		
Contributions		
Current and optional service		
Employees	28,648	23,782
Employers	38,015	32,515
Pension benefits	(68,145)	(61,296)
Refunds to members	(2,117)	(1,143)
Transfers to other plans, net	(186)	(170)
Member service expenses (Note 7)	(1,427)	(1,363)
	(5,212)	(7,675)
Increase in net assets	155,064	181,333
Net assets available for benefits at beginning of year	1,571,914	1,390,581
Net assets available for benefits at end of year	**$1,726,978**	**$1,571,914**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Accrued Benefits

For the year ended December 31, 2004

	2004	2003
	($ thousands)	
Increase in accrued benefits		
Interest accrued on benefits	$ 126,393	$ 114,351
Benefits earned	62,828	56,524
	189,221	170,875
Decrease in accrued benefits		
Benefits paid and transfers	(70,448)	(62,608)
Other changes in accrued benefits (Note 8)		
Net experience losses (gains)	14,378	(14,493)
Changes in actuarial assumptions	-	60,165
Change in the maximum pensionable salary limit	-	15,440
	14,378	61,112
Net increase in accrued benefits	133,151	169,379
Accrued benefits at beginning of year	1,861,928	1,692,549
Accrued benefits at end of year (Note 8)	**$ 1,995,079**	**$ 1,861,928**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Statement of Changes in Deficiency

For the year ended December 31, 2004

	2004	2003
	($ thousands)	
Deficiency at beginning of year	$ (290,014)	$ (301,968)
Increase in net assets available for benefits	155,064	181,333
Net increase in accrued benefits	(133,151)	(169,379)
Deficiency at end of year	**$(268,101)**	**$ (290,014)**

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

Notes to the Financial Statements

December 31, 2004

Note 1 - Summary Description of the Plan

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 367/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

(b) Funding Policy

Current service costs and the Plan's actuarial deficiency (see Note 9) are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2004 were unchanged at 9.5% of pensionable salary for employees and 13.1% for employers. The rates are reviewed at least once every three years by the Minister of Finance, in consultation with the Board, based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at the *yearly maximum pensionable earnings limit* as defined by the federal *Income Tax Act*. The maximum service allowable under the Plan is 35 years.

Pensions are payable to members who have attained age 65 at retirement.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60, or age 55 and the sum of their age and years of service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving pension partner may choose to receive a survivor pension, or a lump sum payment. For a beneficiary other than a pension partner, or where service is less than five years, the benefits take the form of a lump sum payment.

Note 1 - Summary Description of the Plan (continued)

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a lump sum payment or a deferred pension. The lump sum payment is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. The commuted value portion of the lump sum payment is subject to the Plan's lock-in provisions.

(g) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased on January 1st of each year by an amount equal to at least 60% of the average of the increases in the Alberta Consumer Price Index in the twelve-month period ending on October 31st of the previous year.

(i) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

(iii) The fair value of alternative investments including investments in private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Valuation of Assets and Liabilities (continued)

(iv) Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

(v) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market-based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

(v) Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Measurement Uncertainty (continued)

Measurement uncertainty exists in the calculation of the Plan's actuarial value of accrued benefits. Uncertainty arises because the Plan's actual experience may differ, perhaps significantly, from assumptions used in the calculation. While best estimates have been used in the calculation of the Plan's actuarial value of accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in accrued benefits.

Note 3 - Investments (Schedules A to E)

	2004 Fair Value ($ thousands)	%	2003 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$29,865	1.7	$17,784	1.1
Canadian Dollar Public Bond Pool (b)	476,729	27.7	416,281	26.6
Real rate of return bonds (c)	82,288	4.8	76,810	4.9
Private Mortgage Pool (d)	81,601	4.7	74,164	4.7
Total fixed income securities	670,483	38.9	585,039	37.3
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (e)	187,979	10.9	176,303	11.2
Canadian Small Cap Equity Pool (e)	56,075	3.3	47,117	3.0
Domestic Passive Equity Pooled Fund (f)	121,534	7.1	123,569	7.9
Growing Equity Income Pool (g)	34,188	2.0	-	-
Canadian Pooled Equities Fund (h)	34,941	2.0	71,618	4.6
Private Equity Pool (i)	1,565	0.1	1,928	0.1
	436,282	25.4	420,535	26.8
United States Equities (Schedule C)				
External Managers				
U.S. Large Cap Equity Pool (j)	101,166	5.9	99,316	6.3
U.S. Mid/Small Cap Equity Pool (j)	29,414	1.7	29,816	1.9
S&P 500 Pooled Index Fund (k)	66,006	3.8	53,493	3.4
U.S. Passive Equity Pooled Fund (k)	49,246	2.9	47,599	3.1
Growing Equity Income Pool (g)	3,397	0.2	-	-
	249,229	14.5	230,224	14.7
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (l)	134,631	7.8	132,448	8.5
EAFE Plus Equity Pool (l)	67,382	3.9	59,305	3.8
Emerging Markets Equity Pool (m)	18,329	1.1	-	-
EAFE Passive Equity Pool (n)	13,414	0.8	31,954	2.0
EAFE Structured Equity Pooled Fund (n)	35,436	2.1	31,544	2.0
	269,192	15.7	255,251	16.3
Alternative Investments - Equities				
Private Equity 2002, Private Equity 2004 and Private Income Pools (o)	12,963	0.7	2,978	0.2
Real Estate Equities (Schedule E)				
Private Real Estate Pool (p)	83,191	4.8	72,912	4.7
Total equities	1,050,857	61.1	981,900	62.7
Total investments	**$1,721,340**	**100.0**	**$1,566,939**	**100.0**

Note 3 - Investments (Schedules A to E) (continued)

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high-quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. To limit investment risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(f) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(g) The Growing Equity Income Pool is managed with the objective of providing returns higher than the return of the S&P/TSX Custom Dividend Index over a four-year period. The Pool is intended to provide a steady stream of dividend income with potential for capital appreciation by investing in dividend-paying Canadian and U.S. companies that exhibit attractive valuation, growth and quality financial characteristics.

(h) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The External Managers U.S. Large Cap Equity Pool consists of multiple portfolios and the External Managers U.S. Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the U.S. large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Standard & Poor's S&P 500 Index for the U.S. Large Cap Pool and the Russell 2500 Index for the U.S. Mid/Small Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

Note 3 - Investments (Schedules A to E) (continued)

(k) The S&P 500 Pooled Index Fund and the U.S. Passive Equity Pooled Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pools also invest in futures, swaps and other structured investments.

(l) The External Managers EAFE (Europe, Australasia and Far East) Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) EAFE Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(m) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free (EMF) Index over a four-year period.

(n) The External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(o) The Private Equity Pool 2002 and Private Equity Pool 2004 are managed with the objective of providing investment return comparable to the S&P/TSX Composite Index plus 2.5% over the long term. The pools invest in institutionally sponsored Canadian private equity pools managed by experienced advisors with proven records. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool. The Private Income Pool is managed with the objective of providing investment return comparable to the Consumer Price Index plus 6% over the long term. The pool invests in infrastructure related projects that are structured to provide high current income.

(p) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

Note 4 - Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long-term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities.

In order to earn the best possible return at an acceptable level of risk, the Board has established a benchmark policy asset mix of 40% fixed income instruments and 60% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5 - Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

Note 5 - Derivative Contracts (continued)

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2004:

	2004					2003	
	Maturity				Net		Net
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	%			($ thousands)			
Equity index swap contracts	79	21	-	$185,918	$6,919	$173,631	$6,901
Interest rate swap contracts	41	52	7	84,082	(3,116)	91,375	(4,039)
Cross-currency interest rate swap contracts	17	26	57	83,528	(3,237)	59,519	(5,038)
Forward foreign exchange contracts	100	-	-	32,993	334	6,070	42
Credit default swap contracts	21	23	56	20,995	120	3,812	(47)
Bond index swap contracts	100	-	-	9,294	180	6,704	10
Equity index futures contracts	100	-	-	4,916	415	1,895	205
				$421,726	$1,615	$343,006	$(1,966)

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

Note 6 - Net Investment Income

Net investment income of the Plan is comprised of the following:

	2004	2003
	($ thousands)	
Investment income		
Net realized and unrealized gains on investments, including those arising from derivative transactions	$101,697	$135,925
Interest income	41,734	36,992
Dividend income	15,035	13,664
Real estate income	4,182	3,958
Securities lending income	393	399
	163,041	190,938
Investment expenses	(2,765)	(1,930)
Net investment income	**$160,276**	**$189,008**

Note 6 - Net Investment Income (continued)

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2004	2003
	($ thousands)	
Fixed Income Securities	$55,322	$44,055
Canadian Equities	59,951	88,091
Foreign Equities		
United States	7,663	15,924
Non-North American	29,890	34,008
Alternative Investments - Equities	(366)	121
Real Estate Equities	7,816	6,809
	$160,276	**$189,008**

Investment expenses totalling $2,765,000 (2003: $1,930,000) are included in the calculation of the Plan's investment performance results, which are as follows:

	One-Year Return	Four-Year Compound Annualized Return	Eight -Year Compound Annualized Return
Time-weighted rates of return*			
Overall Plan	10.2%	3.2%	7.2%
Policy Benchmark**	10.0%	2.9%	7.0%

* The measure involves the calculation of the net return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

Note 7 - Member Service Expenses

Member service expenses including Board costs in the amount of $49,000 (2003 $48,000) were charged to the Plan on a cost-recovery basis.

Note 8 - Accrued Benefits

(a) Actuarial Valuation

An interim actuarial valuation of the Plan was carried out as at December 31, 2003 by Aon Consulting Inc. and was extrapolated to December 31, 2004. The 2003 valuation was completed after the financial statements of the Plan for 2003 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2003 are accounted for as net experience losses in 2004.

Note 8 - Accrued Benefits (continued)

Actuarial valuations were determined using the projected benefit method prorated on service. The assumptions used in the valuations and extrapolations were developed as the best estimates of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board approved these best estimates.

The major assumptions used were:

	2003 Valuation and 2004 Extrapolation %	2002 Valuation and 2003 Extrapolation %
Asset real rate of return	4.0	4.0
Inflation rate	2.75	2.75
Investment rate of return	6.75	6.75
Salary escalation rate*	3.25	3.25

* In addition to merit and promotion.

An actuarial funding valuation of the Plan as at December 31, 2004 will be carried out subsequent to the completion of these financial statements as required by the *Public Sector Pension Plans Act*. Any differences between the actuarial valuation results and the extrapolation results as reported in these financial statements, including the impact of changes to the maximum pensionable salary limit as announced in the 2005 Federal Budget estimated to amount to $6.4 million, will affect the financial position of the Plan and will be accounted for as gains or losses in 2005.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2004:

		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$143	1.1%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	30	0.5%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	284	3.7%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2003 valuation was 21.7%

Note 9 - Funding Valuation and Extrapolation

The Plan's deficiency is determined on the fair value basis for accounting purposes. For funding valuation and extrapolation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation and extrapolation purposes amounted to $1,731.5 million at December 31, 2004 (2003 $1,650.5 million).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency of $49.2 million as determined by an actuarial funding valuation as at December 31, 2001 is funded by a special payment of 2.1% of pensionable earnings shared between employees and employers commencing on April 1, 2003 and continuing for 15 years from the date of valuation to December 31, 2016. The special payment is included in the rates in effect at December 31, 2004 (see Note 1(b)).

An interim actuarial valuation as at December 31, 2003 indicated an increase in annual funding of approximately $21 million (2003 $21 million) commencing in 2005 and continuing until 2018. The next actuarial funding valuation is required no later than December 31, 2004 (see Note 1(b) and Note 8(a)). The Board will continue to monitor the Plan's financial position on an annual basis.

Note 10 - Comparative Figures

Comparative figures have been restated to be consistent with 2004 presentation.

Note 11 - Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Fixed Income Securities

December 31, 2004

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and short-term securities	$32,805	$20,065
Fixed income securities (a)		
Public		
Government of Canada, direct and guaranteed	215,109	182,515
Provincial		
Alberta, direct and guaranteed	301	318
Other, direct and guaranteed	115,284	66,990
Municipal	6,249	6,383
Corporate	177,847	193,278
Private		
Corporate	120,959	115,177
	635,749	564,661
Receivable from sale of investments and accrued investment income	5,819	5,410
Liabilities for investment purchases	(3,890)	(5,097)
	1,929	313
	$670,483	**$585,039**

(a) Fixed income securities held as at December 31, 2004 had an average effective market yield of 4.13% per annum (2003 4.52% per annum). The following term structure of these securities as at December 31, 2004 was based on principal amount:

	2004	2003
	%	
under 1 year	2	3
1 to 5 years	32	33
6 to 10 years	29	27
11 to 20 years	15	11
over 20 years	22	26
	100	**100**

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Canadian Equities

December 31, 2004

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and short-term securities	$4,355	$4,328
Public equities (a) (b)		
Consumer discretionary	35,330	34,514
Consumer staples	21,496	20,262
Energy	77,428	59,460
Financials	128,383	118,917
Health care	8,089	10,564
Industrials	38,391	44,418
Information technology	23,041	23,839
Materials	72,870	68,922
Telecommunication services	17,905	19,096
Utilities	2,734	9,484
	425,667	409,476
Passive index	897	745
	426,564	410,221
Private Equity Pool	1,565	1,928
Receivable from sale of investments and accrued investment income	4,124	4,845
Liabilities for investment purchases	(326)	(787)
	3,798	4,058
	$436,282	**$420,535**

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $88,081,000 (2003 $80,751,000), which were used as underlying securities to support Canadian equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in United States Equities

December 31, 2004

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and short-term securities	$4,367	$4,570
Public equities (a) (b)		
Consumer discretionary	39,251	37,621
Consumer staples	19,689	20,513
Energy	16,612	12,947
Financials	50,150	45,279
Health care	29,806	27,459
Industrials	32,691	25,922
Information technology	33,596	36,538
Materials	9,331	8,083
Telecommunication services	6,087	6,010
Utilities	6,941	5,675
	244,154	226,047
Passive index	-	81
	244,154	226,128
Receivable from sale of investments and accrued investment income	1,542	1,198
Liabilities for investment purchases	(834)	(1,672)
	708	(474)
	$249,229	**$230,224**

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $69,299,000 (2003 $60,812,000), which were used as underlying securities to support U.S. equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Non-North American Equities

December 31, 2004

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and short-term securities	$4,928	$4,459
Public equities (a) (b)		
Consumer discretionary	36,333	37,769
Consumer staples	14,966	19,582
Energy	21,981	18,522
Financials	71,394	61,186
Health care	15,614	19,885
Industrials	28,625	27,101
Information technology	12,660	14,901
Materials	20,990	18,730
Telecommunications services	22,184	22,282
Utilities	10,356	9,788
	255,103	249,746
Passive index	7,706	33
Receivable from sale of investments and accrued investment income	2,557	1,971
Liabilities for investment purchases	(1,102)	(958)
	1,455	1,013
	$269,192	**$255,251**

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $33,454,000 (2003 $30,297,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Plan's investment in Non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased.

	Plan's Share	
	2004	2003
	($ thousands)	
	$57,539	$58,892
United Kingdom	45,877	42,905
Japan	22,920	24,951
France	17,576	18,155
Germany	17,170	20,024
Switzerland	13,908	14,201
Netherlands	11,767	13,055
Australia	10,549	10,860
Italy	6,494	6,988
Spain	6,485	4,887
Sweden	44,818	34,828
Other	$255,103	$249,746

MANAGEMENT EMPLOYEES PENSION PLAN

Schedule of Investments in Real Estate

December 31, 2004

	Plan's Share	
	2004	2003
	($ thousands)	
Deposits and short-term securities	$9	$59
Real Estate (a)		
Office	41,579	32,332
Retail	29,859	30,609
Industrial	6,559	4,943
Residential	4,030	4,280
	82,027	72,164
Passive index	1,037	503
Receivable from sale of investments and accrued investment income	118	186
	$83,191	**$72,912**

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2004	2003
	($ thousands)	
Ontario	$53,175	$52,741
Alberta	18,185	17,943
Quebec	9,239	-
British Columbia	1,428	1,480
	$82,027	$72,164

TEN-YEAR PLAN SUMMARY
(UN-AUDITED)

MEPP - Ten-Year Plan Summary
as at December 31, 2004

($ thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Change in net assets										
Income										
Investment income (loss)	$183,041	$190,938	$(77,975)	$(68,153)	$118,574	$207,667	$105,296	$132,257	$164,541	$131,520
Contributions	66,663	56,297	46,230	42,361	38,983	36,336	39,508	36,140	36,807	36,984
Total income	**229,704**	**247,235**	**(31,745)**	**(25,792)**	**157,557**	**244,003**	**144,804**	**168,397**	**201,348**	**168,504**
Expenditures										
Benefits paid	68,145	61,296	54,714	48,476	43,160	38,232	33,483	27,820	21,561	16,327
Refunds to members	2,117	1,143	1,603	1,247	1,415	1,554	2,651	2,680	1,935	1,968
Transfers to (from) other plans	186	170	293	683	(243)	68,278	(34)	59	189	196
Investment expenses	2,765	1,930	1,868	1,748	1,496	1,457	219	184	179	189
Member Service expenses	1,427	1,363	1,105	686	487	581	440	414	315	372
Total expenditures	**74,640**	**65,902**	**59,583**	**52,840**	**46,315**	**108,102**	**36,759**	**31,137**	**24,179**	**19,035**
Increase (decrease) in net assets	**155,064**	**181,333**	**(89,460)**	**(75,362)**	**111,909**	**135,686**	**108,045**	**137,260**	**177,169**	**149,469**
Net Assets										
Investments										
Short-term	29,865	17,784	9,889	27,737	33,016	3,335	4,043	12,449	19,871	54,982
Fixed income securities	640,618	567,255	529,924	544,517	619,941	569,897	597,605	563,226	473,026	405,690
Equities										
Canadian	449,245	423,513	354,208	457,113	469,248	494,928	385,032	354,951	322,071	216,644
United States	249,229	230,224	212,193	445,930	428,950	378,355	309,543	239,351	225,235	189,504
Non-North American	289,192	255,251	210,579	-	-	-	29,629	27,889	20,207	18,521
Real Estate	83,191	72,912	69,780	-	-	-	-	-	-	-
Total investments	**1,721,340**	**1,566,939**	**1,386,573**	**1,475,297**	**1,551,155**	**1,446,515**	**1,305,852**	**1,197,866**	**1,060,410**	**885,221**
Contribution and other receivables	5,779	5,215	4,716	4,769	4,318	3,234	3,325	2,975	3,273	1,601
Liabilities	(141)	(240)	(708)	(25)	(70)	(5,355)	(469)	(178)	(280)	(588)
Net Assets available for benefits	**$1,726,978**	**$1,571,914**	**$1,390,581**	**$1,480,041**	**$1,555,403**	**$1,444,394**	**$1,308,708**	**$1,200,663**	**$1,063,403**	**$886,234**
Actuarial value of accrued benefits	(1,995,079)	(1,861,928)	(1,692,549)	(1,474,703)	(1,384,545)	(1,311,675)	(1,250,853)	(1,165,653)	(1,065,853)	(960,753)
Surplus (Deficiency)	**(288,101)**	**(290,014)**	**(301,968)**	**5,338**	**170,858**	**132,719**	**57,855**	**35,010**	**(2,450)**	**(74,519)**
Funded Ratio (%)	87	84	82	100	112	110	105	103	100	92
Performance (%)										
Long-term goal	6.75	6.75	7.00	7.25	7.25	7.25	7.50	7.50	7.50	8.00
Rate of return-nominal	10.20	13.70	(5.30)	(4.40)	8.10	16.00	8.80	12.30	18.30	17.70
Benchmark	10.00	12.90	(5.60)	(4.10)	7.00	13.40	11.20	13.40	17.00	17.30
Consumer Price Index (Canada)	2.10	2.00	4.30	0.70	3.20	2.50	1.00	1.60	1.60	0.20
Real rate of return	8.10	11.70	(9.60)	(5.10)	4.90	13.50	7.80	10.70	16.70	17.50
Interest Rates (%)										
Bank of Canada	2.75	2.75	3.00	2.50	6.00	5.00	5.30	4.50	3.30	5.80
U.S. Federal Reserve	2.25	1.00	0.75	1.25	6.50	5.50	4.50	5.50	5.20	5.50
Market Indices (%)										
S&P/TSX ($Cdn)	14.50	26.70	(12.40)	(12.60)	7.40	31.70	(1.60)	15.00	29.40	14.60
Dow Jones Industrial Index ($Cdn)	(3.93)	2.53	(17.45)	(1.37)	(2.48)	18.08	24.33	27.97	26.77	29.62
S&P 500 ($Cdn)	3.30	5.30	(22.90)	(6.40)	(5.80)	14.20	38.00	39.20	23.60	33.90
MSCI EAFE ($Cdn)	12.01	13.31	(16.81)	(16.51)	(11.19)	19.97	28.82	6.25	6.58	8.11
SC Bond Universe Index	7.10	6.69	8.73	8.08	10.25	(1.14)	9.18	9.63	12.26	21.67
Participants*										
Active members	4,206	4,029	3,865	3,405	3,373	3,003	3,013	3,474	3,500	3,696
Inactive members	731	770	673	929	861	1,032	867	808	729	575
Pensioners	2,016	1,837	1,669	1,480	1,329	1,183	1,048	893	718	549
Total	**6,953**	**6,636**	**6,207**	**5,814**	**5,563**	**5,218**	**4,928**	**5,175**	**4,947**	**4,820**
Average age of Active members (years)	48.90	48.90	48.90	48.90	47.80	48.10	48.20	48.90	48.80	48.70
Average age of Pensioners (years)	64.10	62.10	62.10	61.20	61.10	61.10	60.60	60.10	59.80	N/A
Average annual pension amount	$35,061	$34,572	$34,476	$34,476	$33,564	$33,564	$33,733	$33,428	$33,192	$29,740
Contribution Rates (%)										
Employees	9.50	9.50	7.75	7.75	7.75	7.00	7.00	7.00	7.00	6.53
Employers	13.10	13.10	10.75	10.75	10.75	8.00	8.00	8.00	8.00	8.00
Unfunded liability	-	-	-	-	-	3.50	3.50	3.50	3.50	3.34
Annual COLA pension adjustment	3.42	1.02	1.98	1.98	1.32	0.66	1.32	1.26	1.32	0.84

Note: External management investment costs are not available for restatement for the periods from 1998 to 1995
* May differ slightly from actuarial valuation reports

2005 DIRECTORY

MEP Board Members

Employee Nominees
Gail Armitage
Randy Garvey
Bill Lenius, Vice Chair

Government Nominees
Fred Barth
Nancy Bochard, Chair
Rod McDermand

Public Service Commissioner Nominee (non-voting)
Lorne Saul-Demers

Investment Committee
Fred Barth
Nancy Bochard
Jim Hinks
Tania Willumsen

Advisors and Suppliers
Administrator: Alberta Pensions Administration (APA) Corporation
Fund Management: Alberta Investment Management, the investment operation of Alberta Finance
Auditor: Auditor General of Alberta
Actuary: AON Consulting Inc.
Investment Consultant: API Asset Performance Inc.
Board Secretary: Christa Taylor

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